

November 2015



Office of the City Auditor

City of Kansas City, Missouri

# CITY OF FOUNTAINS HEART OF THE NATION K A N S A S C I T Y

# Office of the City Auditor

21<sup>st</sup> Floor, City Hall 414 East 12<sup>th</sup> Street Kansas City, Missouri 64106

November 17, 2015

Honorable Mayor and Members of the City Council:

This audit is required by a Memorandum of Agreement (MOA) between the U.S. Department of Housing and Urban Development (HUD) and the City of Kansas City, Missouri. The audit focuses on whether the Neighborhoods and Housing Services Department (NHSD) fulfilled the city's contractual obligations under the MOA from May 1, 2014 to April 30, 2015, and whether NHSD implemented the recommendations in our December 2014 audit report evaluating NHSD's performance fulfilling MOA provisions.

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The city met the performance deadlines or repaid HUD for projects with applicable MOA Time Sensitive Performance deadlines during this audit review period. NHSD also requested performance deadline extensions timely.

The city addressed most long-term reform measures required in the MOA to address performance deficiencies in the city's administration of the Community Development Block Grant (CDBG) and HOME Investment Partnerships Program (HOME) funds. NHSD also implemented most of the recommendations from our prior audit report. The city, however, could improve its practices by addressing non-compliance and other deficiencies of HOME multi-family rental properties more timely and implementing policies and procedures covering CDBG activities.

We make recommendations intended to improve the city's monitoring of HOME multi-family rental projects and improve the city's administration of the CDBG program.

The draft report was sent to the director of neighborhoods and housing services on October 20, 2015, for review and comment. His response is appended. We would like to thank Neighborhoods and Housing Services staff for their assistance and cooperation during this audit. The audit team for this project was Joan Pu and Sue Polys.

Douglas Jones City Auditor

# City's Performance Under the HUD Memorandum of Agreement (May 1, 2014 – April 30, 2015)

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# Introduction

# **Objectives**

We conducted this audit of the city's performance as required by the Memorandum of Agreement (MOA) between the U.S. Department of Housing and Urban Development (HUD) and the City of Kansas City, Missouri. We performed this audit under the authority of Article II, Section 216 of the Charter of Kansas City, Missouri, which establishes the Office of the City Auditor and outlines the city auditor's primary duties.

A performance audit provides findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision making, and contribute to public accountability.<sup>2</sup>

This report is designed to answer the following questions:

- Did the city fulfill its obligations under the Memorandum of Agreement between the city and HUD from May 1, 2014 to April 30, 2015?
- Has the city implemented the recommendations related to MOA performance in the City Auditor's Office's December 2014 audit report, City's Performance Under the HUD Memorandum of Agreement (April 1, 2013 April 30, 2014)?

# **Scope and Methodology**

Our review focuses on the city's performance under the HUD Memorandum of Agreement in meeting performance deadlines,

<sup>&</sup>lt;sup>1</sup> "Memorandum of Agreement for the Completion of Activities Under Federal Receivership and Ongoing Administration of the CDBG and HOME Programs Between the U.S. Department of Housing and Urban Development, Office of Community Planning and Development and the City of Kansas City, Missouri," April 1, 2013. Ordinance 130200 authorized the city manager to execute the memorandum of agreement.

<sup>&</sup>lt;sup>2</sup> Comptroller General of the United States, *Government Auditing Standards* (Washington, DC: U.S. Government Printing Office, 2011), p. 17.

implementing long-term reform measures, and implementing the MOA related recommendations in our December 2014 audit report. Our audit methods included:

- Reviewing MOA provisions and HOME and CDBG federal regulations to identify standards with which to compare the Neighborhood and Housing Services Department's (NHSD's) performance to fulfill the MOA requirements.
- Interviewing city and HUD staff to determine NHSD's progress in fulfilling the MOA's requirements and implementing the prior audit report's recommendations.
- Reviewing project documentation to determine whether NHSD met the MOA's Time Sensitive Performance deadlines and Long-Term Reform Measures.
- Reviewing IDIS (HUD's database for collecting data and disbursing funds) reports to determine the frequency of NHSD's reimbursement requests.
- Reviewing PeopleSoft (the city's financial system) reports to determine the time and amount of payments the city made to the subrecipients of HUD grants.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. No information was omitted from this report because it was deemed privileged or confidential.

# **Background**

Memorandum of Agreement. The city entered into a memorandum of agreement (MOA) on April 1, 2013, with HUD. The MOA establishes performance measures to evaluate the city's development of properties previously held by the Housing and Economic Development Financial Corporation (HEDFC). HEDFC was the city's largest subrecipient of housing grant funds. In March 2005, HUD issued HEDFC a Limited Denial of Participation for violation of HUD regulations. The city then

filed a lawsuit against HEDFC in U.S. District Court seeking an order to compel HEDFC to return the CDBG and HOME program income and grant derived assets it was holding.

In May 2005, the court appointed a receiver to oversee HEDFC operations and to take possession and control of HEDFC assets. The city, the receiver, and HUD collaborated to develop, transfer, or liquidate the remaining HEDFC assets in accordance with HUD's program requirements. The city accepted the transfer and loan servicing responsibilities of all of the remaining loans originally in HEDFC's loan portfolios. Additionally, a number of HEDFC-owned properties, once under receivership, were transferred to the Economic Development Corporation Charitable Fund.

The court-ordered receivership of HEDFC ended October 30, 2013. As a requirement for ending receivership, the city entered into a 10-year MOA with HUD for completion of projects under receivership. There were a number of HEDFC assets that had not been brought into compliance with HUD requirements. The MOA identifies those properties and establishes deadlines by which the city will ensure the properties are developed or completed in compliance with HUD's program regulations and requirements.

The MOA also identifies corrective actions to resolve performance deficiencies in the city's administration of CDBG and HOME funds. The city's Neighborhoods and Housing Services Department is responsible for fulfilling the MOA provisions and reporting to HUD on the city's progress. The following is a summary of the Long Term Reform Measures included in the MOA to address the performance deficiencies.

- Submitting quarterly reports on the status of each property related to meeting the development deadlines the MOA established.
- Ensuring the period of affordability for single-family loans and continuing all ongoing monitoring of HOME rental activities.
- Assisting technical assistance providers assigned by HUD to complete projects and activities related to development of HEDFC assets. Developing a mandatory training program for staff involved with administering CDBG and HOME activities, ensuring current and new staff receive the training, and using HUD on-line and inperson training.

- Disbursing CDBG and HOME funds only to eligible subrecipients and only upon the execution of written subrecipient agreements.
   Obtaining written approval from HUD prior to executing subrecipient agreements.
- Notifying HUD of all new Integrated Disbursement and Information System (IDIS) activity set-ups under the HOME program prior to expending any grant funds. Receiving HUD's assessment of compliance with applicable federal requirements. This requirement does not apply to new set-ups for homebuyer down-payment assistance.
- Submitting full underwriting packages for new third-party commercial, industrial, and multi-family housing projects and activities funded with CDBG or HOME for HUD's review and approval at least 30 calendar days prior to entering into binding commitments.
- Developing written procedures approved by HUD to satisfy related federal environmental requirements and ensuring that all environmental conditions for projects are continually tracked and regularly monitored to comply with federal laws. Consistently monitoring historic properties, at least monthly, to ensure the property remains secure.
- The City Auditor's Office conducting an annual performance audit on the city's performance under the agreement and the city's performance in following HUD program regulations.

Our initial audit, covering the period of April 1, 2013 to April 30, 2014, was released in December 2014. It made recommendations directed towards ensuring compliance with the MOA's development deadlines, extension requests, and approvals of subrecipients; requesting reimbursements of CDBG/HOME grant funds from HUD at least monthly; and ensuring the city is prepared to implement HUD's new HOME regulations.

For the 2015 audit, the Kansas City Regional Office of HUD recommended that the audit focus solely on the city's performance under the MOA, not audit additional regulations, as the HUD regional office was planning to conduct a compliance review of regulatory issues this year. In addition, this audit followed up on the implementation of the recommendations in the initial audit report related to NHSD's performance fulfilling MOA provisions.

Community Development Block Grant (CDBG). HUD's CDBG program provides communities with resources to benefit low and moderate income persons, prevent or eliminate slums or blight, and address certain urgent needs in a community because those conditions pose an immediate threat to the health or welfare of the community. The program provides annual grants on a formula basis<sup>3</sup> to local and state jurisdictions. The jurisdictions must maintain certain records. If an activity is carried out by a subrecipient, the jurisdiction must ensure that the required records are kept by the subrecipient.

HOME Investment Partnerships Program (HOME). The HOME program is designed to create affordable housing for low-income households. HUD provides formula grants to state and local jurisdictions. These jurisdictions can use grants in partnership with local nonprofit groups to provide home purchase or rehabilitation financing assistance to eligible homeowners and new homebuyers; build or rehabilitate housing for rent or ownership; or provide rental assistance to low-income people. HOME funds can be used for grants, direct loans, loan guarantees or other forms of credit enhancement, or rental assistance or security deposits. HUD establishes a line of credit for each jurisdiction through the HOME Investment Trust Fund that may be drawn upon as needed.

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<sup>&</sup>lt;sup>3</sup> HUD determines the amount of each grant by using a formula comprised of several measures of community need, including poverty, population, and housing conditions.

City's Performance Under the HUD Memorandum of Agreement (May 1, 2014 – April 30, 2015)

# **Findings and Recommendations**

# **Summary**

The city met the performance deadlines or repaid HUD for projects with applicable MOA Time Sensitive Performance deadlines during this audit review period. The city also made timely requests to extend performance deadlines.

The city addressed most of the long-term reform measures required in the MOA and implemented most of the recommendations from our prior audit report. The city submitted quarterly status reports on time; met some training requirements and requested changing some to be more beneficial; and executed subrecipient agreements after seeking HUD's approval and disbursed HOME and CDBG funds after the execution of the agreements as required by the MOA. The city also requested and received approval of its HOME projects from HUD before spending the grant funds; submitted to HUD the full underwriting packages for new CDBG/HOME funded third-party multi-family housing projects before entering into development agreements; developed written environmental procedures; and monitored two historic properties as required by the MOA. NHSD requested reimbursement from HUD more frequently than it did during the last audit review period. The City Auditor's Office conducted this performance audit as required by the MOA.

The city, however, could improve its practices by addressing noncompliance and other deficiencies of HOME multi-family rental properties more timely and implementing policies and procedures covering CDBG activities.

# **City Met Time Sensitive Performance Measures**

For the six projects that had MOA Time Sensitive Performance deadlines during our review period, the city met the performance deadlines for three of the property development projects and repaid HUD for the other three projects which eliminated the performance deadline. The city also made timely requests to extend performance deadlines.

**Projects met performance deadlines.** The city met performance deadlines or repaid HUD for projects with applicable MOA Time

Sensitive Performance deadlines during our review period. Construction was completed on Student Housing, Seven Oaks, and Holy Temple projects before the deadlines. The city repaid HUD over \$600,000 for the Registry Square project and two scattered site projects. The MOA gives the city the option to reimburse its CDBG/HOME program account with non-federal funds for any property subject to the receivership that has not met applicable program requirements. Repayment causes the CDBG/HOME requirements for that property to be removed. According to the HUD regional office, performance deadlines no longer apply when projects are repaid. (See Exhibit 1.)

Exhibit 1. MOA Compliance with Project Deadline, May 1, 2014 - April 30, 2015

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Project	Performance Deadline	Criteria Demonstrating Performance
Student Housing	Construction completion: 9/30/2014	Met the goal. Letter of acceptance
		for partial occupancy on 8/11/2014.
Seven Oaks	Construction completion: 12/31/2014	Met the goal. Certificate of
		Occupancy, dated 10/10/2014.
Holy Temple	Construction completion: 8/31/2017	Met the goal. Certificate of
		Occupancy, dated 7/25/2014.
Registry	Construction completion: 12/31/2014	Project repaid, deadline no longer
Square		applies.
Scattered Site	Construction completion: 10/31/2013	Project repaid, deadline no longer
		applies.
Scattered Site	Construction completion: 11/30/2014	Urban garden was built on some
(Urban Garden/		parcels before the deadline.
Green Space)		Remaining properties were repaid,
		deadline no longer applies.

Source: MOA, HUD, NHSD, and KCMO Certificate of Occupancy Records.

NHSD requested extensions before performance deadlines. The city made requests to extend 13 performance deadlines of seven projects between May 1, 2014 and April 30, 2015. All request letters were dated before the project deadline dates as required by the MOA. Our prior audit recommended that the director of neighborhoods and housing services ensure performance deadlines for building or scattered site projects identified in the MOA are met or request an extension before the deadline. NHSD has implemented this audit recommendation by meeting performance deadlines and making extension requests before the project deadlines during the audit review period.

# **City Addressed Most Long-Term Reform Measures**

The city addressed most of the long-term reform measures during our audit review period and implemented most of the recommendations made in our previous report. The city submitted quarterly status reports on time. It met some training requirements and requested changing some to be more beneficial. The city executed subrecipient agreements after seeking HUD's approval and disbursed HOME and CDBG funds after the execution of the agreements. NHSD requested reimbursement from HUD more frequently than it did during the last audit review period. The city requested and received approval of its HOME projects from HUD before spending the grant funds. It entered into development agreements after submitting full underwriting packages for the new third-party multifamily housing projects funded with CDBG or HOME funds to HUD for review and approval. It also developed written environmental procedures and monitored two historic properties as required by the MOA. The City Auditor's Office conducted this performance audit as required by the MOA.

The city, however, did not complete its monitoring process for all multifamily rental projects during the audit review period. It did not communicate with all of the project owners or managers to correct noncompliance and other deficiencies identified by on-site inspections and reviews. The city has not implemented policies and procedures for CDBG activities developed by the technical assistance providers.

### **Quarterly Reports Submitted on Time**

NHSD submitted quarterly status reports on time. The MOA requires that the city submit a quarterly status report to HUD on the status of each project listed in Exhibit C of the MOA by the 10<sup>th</sup> day of every January, April, July, and October. NHSD submitted a total of four quarterly reports to HUD during the period we reviewed. All of them were submitted on or before the dates required by the MOA.

### **City No Longer Required to Monitor Single Family HOME Loans**

All of the single-family HOME loans, previously held by HEDFC, have passed their period of affordability and therefore no longer require monitoring by NHSD. The MOA requires that the city ensure that the

period of affordability<sup>4</sup> for single family loans is maintained. The loans transferred from HEDFC originated between 1996 and 2002 with an affordability period of five or ten years. Because the affordability periods for these loans have passed, this measure can be considered completed.

# NHSD Should Improve Monitoring Activities of Multi-Family Rental Projects

NHSD did not complete its monitoring process for all multi-family rental properties that were required to be monitored annually during the audit review period. The MOA requires that the city continue all of the ongoing monitoring responsibilities for HOME rental projects. HUD regulations specify the minimum compliance monitoring activities that jurisdictions investing HOME funds in rental housing must undertake<sup>5</sup>:

- Requiring the rental property owner to submit an annual report on rents and occupancy.
- Conducting on-site inspections to verify that properties are maintained in standard condition and meet applicable housing quality standards, every one to three years depending on the size of the property.
- Conducting on-site reviews to verify the accuracy of the owner reports and to ascertain compliance, every one to three years depending on the size of the property.
- Maintaining sufficient records and imposing appropriate recordkeeping requirements on project developers or their agents.
- Taking steps to rectify any noncompliance once any problem is uncovered.

According to HUD's required minimum frequency of on-site monitoring and inspection schedule, NHSD was required to monitor 11 multi-family rental projects in 2014. NHSD received reports from all the project owners or managers, conducted on-site reviews and property inspections, and maintained appropriate records of these projects. NHSD, however,

<sup>&</sup>lt;sup>4</sup> An affordability period is the length of time that, based on the amount of the loan, the homebuyer who purchased the single-family housing with assistance funds from the HOME program must continue to live in the property as his or her principal residence.

<sup>&</sup>lt;sup>5</sup> U.S. Department of Housing and Urban Development, Office of Community Planning and Development, *Compliance in HOME Rental Projects: A Guide for PJs*, 2009.

did not take adequate steps to rectify the deficiencies or noncompliance issues it identified during the monitoring activities.

NHSD's practice following a compliance review is to send property owners or managers a copy of the monitoring report and a letter outlining the noncompliance issues and requiring a written response within 30 days of the letter. Although all 11 properties had deficiencies, NHSD only sent a copy of the monitoring report and a letter outlining needed corrective actions to four project owners or managers. Three of these monitoring reports and letters were sent between 200 and 400 days after the on-site reviews and inspections. NHSD staff told us the department decided not to send out letters for the remaining seven projects as the reviews were completed mostly over a year ago and the next round of monitoring would begin soon. Instead, staff told us that they would provide technical assistance to property owners or managers to address the problems.

Not providing feedback timely or not at all increases the risk that the problems will continue to occur. NHSD does not have written procedures for how it will implement HUD's on-going monitoring requirements of HOME multi-family rental projects, including communication of monitoring results and timelines. Written procedures can outline the authority and responsibilities of individual employees, serve as a reference tool for infrequently encountered situations, and lessen the threat to continuity posed by employee turnover.

To help ensure compliance with HUD regulations and the MOA requirement, and noncompliance issues with rental projects are rectified timely, the director of NHSD should develop written procedures on how the monitoring activities for multi-family rental properties are conducted, including setting a goal of how soon after the on-site review and inspection the department should communicate the monitoring results to property owners or managers.

# Policies and Procedures for CDBG Activities Have Not Been Implemented

NHSD has not implemented policies and procedures for CDBG activities more than a year after they were provided by technical assistance providers. The MOA requires the city to assist technical assistance providers assigned by HUD, regarding the completion of projects and activities related to the HEDFC assets. While HUD did not contract with new technical assistance providers during this review period, one of the technical assistance provider's tasks during the last review period was to work with the city to create policies and procedures to implement HUD

programs. NHSD's July 10, 2014 quarterly report to HUD stated that the technical assistance providers had provided NHSD with a CDBG policies and procedures manual and that the department was reviewing it and would implement it in the fall of 2014. Department management confirmed in July 2015, that the manual had not been approved for distribution to staff by the department. Without written procedures, important responsibilities can be overlooked and necessary actions not taken. Implementing written policies and procedures would strengthen the on-going accountability and consistency of the department's administering of the CDBG program. Written procedures also ensure that current and new staff are given consistent information and training.

In order to guide the city's day-to-day administration of the CDBG program and to ensure that the city's CDBG program complies with the applicable regulations, the director of NHSD should implement policies and procedures covering the city's CDBG activities.

# NHSD Met Some Training Requirements and Requested Changes in Others

The city agreed in the MOA to make use of training provided by HUD. Some NHSD staff attended HUD-provided training in-person or online during the audit review period.

Not all staff that began to administer CDBG or HOME activities during the audit review period completed training as required by the MOA; however, HUD agreed that this broad training would not necessarily be beneficial. NHSD management said the training requirements agreed to in the MOA were too aggressive and optimistic, and instead the department offered more job specific training. A HUD regional official confirmed that NHSD had informed HUD that the city was not providing the required training. The official agreed that an overview session with in-depth training on specific areas of responsibility would provide a greater benefit. The official said HUD is in the process of modifying the MOA to change the training requirement.

### Subrecipient Agreements and Payments Met MOA Requirements

NHSD executed subrecipient agreements after seeking HUD's approval and disbursed HOME and CDBG funds to eligible subrecipients after the agreements were executed as required by the MOA. NHSD sent the request for CDBG/HOME subrecipient contracting approval to HUD on April 2, 2014. Although HUD did not provide a written approval, the HUD regional office has told us that if it does not respond within 30

days, the city can assume its approval. Based on the request submittal date, the NHSD could assume HUD's approval on May 2, 2014. None of the 21 subrecipient agreements were executed before receiving HUD's implied approval. In addition, the first payments to the subrecipients were made after the agreements were executed.

Our prior audit recommended the director of neighborhoods and housing services ensure CDBG/HOME subrecipients are approved by HUD before executing a contract. NHSD implemented this audit recommendation during this audit review period.

### **NHSD Requested Reimbursements from HUD More Frequently**

NHSD requested HUD reimbursements more frequently, but not monthly as recommended. Our prior audit recommended that the director of neighborhoods and housing services request reimbursement of CDBG/HOME grant funds from HUD at least monthly. This followed an audit finding that NHSD did not request any reimbursement for fiscal year 2014 subrecipients until the following fiscal year. NHSD had over 20 subrecipients of CDBG/HOME funds that it reimbursed about monthly for the services they provide the city, a total of about \$2 million during the audit review period. NHSD in turn requests reimbursements from HUD for those funds. NHSD stated in their response to our audit on December 10, 2014, that it would request reimbursement from HUD quarterly. During the audit review period, NHSD made two reimbursement requests. The first withdrawal, for about \$416,000, was made on November 18, 2014; and the second one, for over \$1.3 million, was made on March 3, 2015.

### NHSD Received Required Approval for HOME Activities Setup

NHSD notified HUD of all new IDIS<sup>6</sup> activity set-ups under the HOME program prior to expending any grant funds as required by the MOA. NHSD asked HUD for approval of 12 new HOME activities during our review period and received approval from HUD to proceed with setting up these activities in IDIS. As required by the MOA,<sup>7</sup> NHSD's request and HUD's approval were prior to NHSD's first money drawdown.

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<sup>&</sup>lt;sup>6</sup> IDIS is HUD's real-time, online database that collects data and disburses funds. It is used for the CDBG, HOME, and other programs.

<sup>&</sup>lt;sup>7</sup> This MOA requirement does not apply to new set-ups for homebuyer down-payment assistance.

# NHSD Submitted Underwriting Packages Before Entering Into Development Agreements

NHSD followed the MOA during the audit review period when it entered into binding commitments for two CDBG/HOME funded multi-family housing projects after sending the underwriting packages to HUD. The MOA requires that the city submit full underwriting packages for all new third-party commercial, industrial, and multi-family housing projects and activities funded with CDBG or HOME funds to HUD for review and approval. The packages must be submitted at least 30 calendar days prior to entering into binding commitments. NHSD submitted the underwriting packages to HUD on May 14, 2014, for two rental development projects and met MOA's requirements by signing the development agreements over 30 days after submitting the underwriting packages.

# **Environmental Procedures Developed and Historic Properties Monitored**

NHSD developed environmental procedures and monitored historic properties as required. The MOA requires that the city develop written procedures approved by HUD to ensure that all environmental requirements are satisfied before committing HUD funds to a project or activity. NHSD staff submitted an Environmental Review Manual to the HUD regional office. A HUD regional official told us that the MOA does not require submission of the environmental procedures for HUD approval. Therefore, NHSD has met the MOA requirement.

The MOA also requires that the city monitor historic properties at least monthly to ensure the security of the property. According the NHSD staff, NHSD conducted monthly monitoring of two historic properties.

### City Auditor's Office Conducted Required Audit

This audit fulfills the MOA requirement for an annual performance audit. The MOA requires the City Auditor's Office to conduct annual performance audits and report any performance deficiencies and the actions taken to correct them. Our initial audit report covering the period of April 1, 2013 to April 30, 2014 was issued in December 2014. This is the second audit to fulfill the MOA requirement.

## **Recommendations**

- 1. The director of neighborhoods and housing services should develop written procedures on how the monitoring activities for HOME multi-family rental properties are conducted, including setting a goal of how soon after the on-site review and inspection the department should communicate the monitoring results to property owners or managers.
- 2. The director of neighborhoods and housing services should implement policies and procedures covering the city's CDBG activities.

City's Performance Under the HUD Memorandum of Agreement (May 1, 2014 – April 30, 2015)

# Appendix A

Director of Neighborhoods and Housing Services' Response

City's Performance Under the HUD Memorandum of Agreement (May 1, 2014 – April 30, 2015)



Neighborhoods and Housing Services Department

Office of the Director

4th Floor, City Hall 414 E 12th Street

Kansas City, Missouri 64106-2768

NOV 10 2015

(816) 513-3200 CITY AUDITOR'S OFFICE Pax: (816) 513-3201

Date:

November 6, 2015

To:

Doug Jones, City Auditor

From:

John A. Wood, Director

Neighborhood and Housing Services Department

Subject:

City's Performance Under the HUD Memorandum of Agreement Audit

1. Recommendation: The director of neighborhoods and housing services should develop written procedures on how the monitoring activities for HOME multi-family rental properties are conducted, including setting a goal of how soon after the on-site review and inspection the department should communicate the monitoring results to property owners and managers.

Response: Agree. Neighborhoods and Housing Services Department staff will develop written procedures for monitoring HOME multi-family rental properties. The department's goal for issuing the written report to property owners and managers will be thirty days from the date the monitoring review and inspection is conducted.

2. Recommendation: The director of neighborhoods and housing services should implement policies and procedures covering the city's CDBG activities.

Response: Agree. Neighborhoods and Housing Services Department staff will implement policies and procedures covering the city's CDBG activities by April 30, 2016.